

Performance Benchmark Requirements for Phase I

There are two performance benchmarks that companies with multiple SBIR or STTR awards must meet in order to receive a new Phase I award. The purpose of these benchmark requirements is to ensure that Phase I applicants that have won multiple prior SBIR/STTR awards are making progress towards commercializing the work done under those awards. The Phase I to Phase II Transition Rate addresses the extent to which an awardee progresses a project from Phase I to Phase II. The Commercialization Benchmark addresses the extent to which an awardee has moved its past Phase II work towards commercialization.

Phase I to Phase II Transition Rate

The Phase I to Phase II Transition Rate requirement applies only to SBIR and STTR Phase I applicants that have received more than 20 (21 or more) Phase I awards over the past 5 fiscal years, excluding the most recent year. These companies must meet the required benchmark rate of transition from Phase I to Phase II. The current Transition Rate requirement, agreed upon and established by all 11 SBIR agencies, is that an awardee must have received an average of one Phase II for every four Phase I awards received during the most recent 5-year time period (which excludes the most recently-completed fiscal year) to be eligible for a new Phase I award. That is, the ratio of Phase II to Phase I awards must be at least 0.25.

For SBIR/STTR awardees that have received more than 20 Phase I awards during the time period, SBA calculates the company Transition Rate and displays it on the company registry page at www.sbir.gov. Companies with less than that number of past Phase I awards will only see "N/A" because the benchmark requirement does not apply to them. To calculate the company Transition Rate, SBA divides the total number of SBIR and STTR Phase II awards a company received from all agencies during the past 5 fiscal years by the total number of SBIR and STTR Phase I awards it received during the past 5 fiscal years excluding the most recently-completed year. The 5-year period over which Phase I awards are counted excludes the most recently completed fiscal year because not all Phase II awards can occur within the same year as the Phase I award.

Commercialization Benchmark

The Commercialization Benchmark requirement applies only to SBIR and STTR Phase I applicants that have received more than 15 (16 or more) Phase II awards over the past 10 fiscal years, excluding the last two years. These companies must have achieved at least the minimum required levels of commercialization activity, resulting from their past Phase II work, in order to be eligible to receive a new Phase I award. The current Commercialization Benchmark requirement, agreed upon and established by all 11 SBIR agencies, is that the awardee applicant must have received, to date, an average of at least \$100,000 of sales and/or investments per Phase II award received, or have received a number of patents resulting from the SBIR work equal to or greater than 15% of the number of Phase II awards received during the period.

Example

In June of 2014, the SBA database of SBIR and STTR awards shows that Company A won 22 Phase I awards during the 5 year period 2008-2012 and 8 Phase II awards during the 5 year period 2009-2013. The company must meet the transition rate benchmark because it won more than 20 Phase I awards during this period and the rate of 0.36 is therefore displayed on the company registry at www.sbir.gov. The company meets or exceeds the required benchmark rate of 0.25. However, to be eligible to receive a new Phase I award, Company A must also meet or exceed the Commercialization Benchmark. The SBA database of SBIR and STTR awards shows on the Company Registry page that during the 10 year period 2002-2011, Company A won 18 Phase II awards. The company is required to meet the commercialization benchmark because it had more than 15 Phase II awards in that 10 year period. Company A has been reporting its commercialization information on the Company Registry at www.sbir.gov which shows that it has achieved, to date, \$1.7 million in

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sales and/or additional investment and 3 patents—all resulting from the work done under these 18 Phase II awards. The sales and investment dollar amount is not sufficient to meet the benchmark of \$100,000 per award (for 18 awards, this would be \$1.8 million); however, with 3 patents the company exceeds the patent requirement of 2.7 (15% of 18 awards) and therefore meets the benchmark requirement. Company A sees that it meets both of the Phase I Performance benchmarks, is therefore eligible to receive a Phase I award, and proceeds with a new Phase I application.

Consequence of failure to meet the benchmarks

SBA will identify, on June 1 of each year, the companies that fail to meet either of these benchmarks. These companies will not be eligible to receive a Phase I award for a period of one year from that date. SBA will notify the companies and the relevant officials at the participating agencies. The information on the companies will not be available to the public. Because this requirement only affects a company's eligibility for new Phase I awards, a company that fails to meet these benchmarks may continue working on its current or ongoing SBIR/STTR awards and may apply for and receive new Phase II and Phase III awards.

To avoid cases where a company prepares and submits a proposal prior to June 1st but is then determined to be ineligible at the time the agency makes the award, after June 1st, SBA will notify companies on April 1st if they are failing the benchmark(s). If a company believes that the information used was not complete or accurate, it may provide feedback through the Company Registry at www.sbir.gov. SBA accepts requests for reconsideration of the eligibility determination from April 1st through April 30th of each year.

For more information use the following links:

[Performance Benchmarks for Phase I Applicants \(under the FAQs tab\)](#)

[Federal Register Notice on the Phase I to Phase II Transition Benchmark PDF](#)

[Federal Register Notice on the Commercialization Benchmark PDF](#)

[SBIR Policy Directive](#)

[STTR Policy Directive](#)

Feedback/comments

These are new requirements for the SBIR and STTR programs and SBA will be monitoring their effectiveness and evaluating the specific metrics and levels being used. SBA encourages public feedback on these benchmarks through the link provided on www.sbir.gov.